

July 11, 2001

**TO:** Senator Snyder, Chair  
Senator McDonald  
Representative Dunshee  
Representative Cairnes  
Fred Kiga, Director, DOR  
Marty Brown, Director, OFM

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** JULY 10, 2001 REVENUE COLLECTION REPORT

General Fund-State collections in the June 11 - July 11, 2001 period were \$23.6 million less than expected. Revenue Act sources (sales, use, B&O, public utility and tobacco products) accounted for most of the less than expected tax payments, with receipts \$19.7 million less than expected. Real estate excise tax and property tax payments were also below the estimate for the month. Economic data indicates a weak economy. Wage and salary employment has declined two of the last three months, producing the largest three month decline in jobs since 1991. Although the Federal Reserve has aggressively cut interest rates since the first of the year, the economy has not yet responded. Tax rebate checks are on the way and with the help of both fiscal and monetary stimulus economic and revenue growth is expected to slowly improve.

Revenue act receipts in the June 11 - July 10 collection period (primarily reflecting May 2001 business activity of monthly taxpayers) were quite weak. Collections were down 2.2 percent from the year-ago level after adjusting for special factors (last year receipts included an unusually large, one-time audit payment.) After a strong January (up 8.4 percent), Revenue Act growth has abruptly slowed. Growth has averaged only 0.5 percent in the last four months, down substantially from the 5.9 percent average growth during the previous four months.

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Preliminary data on taxes paid during the June 11 - July 10 collection period indicate weakness pretty much across-the-board. The construction, manufacturing, wholesaling and finance, insurance and real estate sectors all reported year-over-year declines in tax payments for the month. Most were in the low to mid single digits. The services, retailing and transportation, communication and utilities sectors reported small single digit increases in tax payments. Within retailing, general merchandise retailers and food stores did the best, while the auto and furniture and household equipment retailers reported declines in tax payments.

Non Revenue Act General Fund receipts collected by the Department of Revenue were \$4.3 million less than the forecast in June. Weakness in real estate excise and property tax payments accounted for the majority of this month's shortfall, although estate tax and cigarette tax receipts were also below the forecast. Property tax collections were \$2.3 million less than expected, however, some of this is likely due to timing and will be recouped in future months. Real estate excise activity was weak this month. Taxable activity declined 3.6 percent in May (real estate closings in May reflect real estate excise payments to the state in June) after increasing 1.8 percent last month. Weak prices more than offset the stimulus of relatively low mortgage rates. Although the number of transactions was up 3.7 percent this month, the value per transaction declined 7.1 percent. This is particularly evident in King County. In May taxable real estate activity declined 17.3 in King County but increased 9.5 percent in the rest of the state. The weakness in King is primarily due to softer prices reflecting the general slowing of the economy and weakness in King County's high-end real estate market.

Other agencies' collections were \$0.3 million above the forecast in June. Department of Licensing collections (primarily license fees) were \$340,000 above the estimate while the Lottery Commission's General Fund transfers were right on the estimate for the month.

The attached Table 1 provides a comparison of collections with the June forecast for the June 11 - July 10, 2001 collection period. The variance for the month and the year-to-date are virtually identical in Table 1 because the June monthly estimates have been adjusted to reflect actual collections through June 10, 2001. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

**TABLE 1**  
**Revenue Collection Report**  
**July 10, 2001 Collections Compared to the June 2001 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
<b>June 11 - July 10, 2001</b>				
Department of Revenue-Total	\$1,043,252	\$1,019,259	(\$23,994)	-2.3%
Revenue Act** (1)	643,439	623,731	(19,709)	-3.1%
Non-Revenue Act(2)	399,813	395,528	(4,285)	-1.1%
Liquor Sales/Liter	6,720	7,354	634	9.4%
Cigarette	5,978	5,824	(154)	-2.6%
Property (State School Levy)	320,426	318,053	(2,373)	-0.7%
Estate	6,677	5,942	(735)	-11.0%
Real Estate Excise	37,397	35,696	(1,701)	-4.5%
Timber (state share)	0	0	0	NA
Other	22,614	22,659	45	0.2%
Department of Licensing (2)	5,368	5,714	346	6.4%
Lottery (2)	466	466	0	0.0%
<b>Total General Fund-State***</b>	<b>\$1,049,087</b>	<b>\$1,025,439</b>	<b>(\$23,648)</b>	<b>-2.3%</b>
<b>Cumulative Variance Since the June Forecast (June 11 - July 10, 2001)3</b>				
Department of Revenue-Total	\$1,043,252	1,019,259	(23,994)	-2.3%
Revenue Act** (3)	643,439	623,731	(19,709)	-3.1%
Non-Revenue Act(4)	399,813	395,528	(4,285)	-1.1%
Liquor Sales/Liter	6,720	7,354	633	9.4%
Cigarette	5,978	5,824	(154)	-2.6%
Property (State School Levy)	320,426	318,053	(2,373)	-0.7%
Estate	6,677	5,942	(735)	-11.0%
Real Estate Excise	37,397	35,696	(1,701)	-4.5%
Timber (state share)	0	0	0	NA
Other	22,614	22,659	45	0.2%
Department of Licensing (4)	5,368	5,684	316	5.9%
Lottery (4)	466	466	0	0.0%
<b>Total General Fund-State***</b>	<b>\$1,049,087</b>	<b>\$1,025,409</b>	<b>(\$23,678)</b>	<b>-2.3%</b>

1 Collections June 11 - July 10, 2001. Collections primarily reflect May 2001 activity of monthly taxpayers.

2 June 1-30, 2001 collections.

3 Cumulative collections, estimates and variance since the June 2001 forecast; (June 11- July 10, 2001) and revisions to history.

4 Cumulative collections, estimates and variance since the June 2001 forecast; (June 2001) and revisions to history.)

\* Based on the June 2001 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

**TABLE 2**  
**June 10, 2001 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>May 11 - June 10, 2001</b>				
Department of Revenue-Total	\$1,030,566	\$1,030,566	\$0	0.0%
Revenue Act (1)	602,783	602,783	0	0.0%
Non-Revenue Act(2)	427,783	427,783	(0)	-0.0%
Liquor Sales/Liter	6,502	6,502	(0)	-0.0%
Cigarette	5,288	5,288	0	0.0%
Property (State School Levy)	343,383	343,383	(0)	-0.0%
Estate	9,772	9,772	(0)	-0.0%
Real Estate Excise	32,745	32,745	(0)	-0.0%
Timber (state share)	3,282	3,282	(0)	NA
Other	26,811	26,811	0	0.0%
Department of Licensing (2)	3,821	3,821	0	0.0%
Lottery (2)	7,809	7,809	0	0.0%
Total General Fund-State***	\$1,042,197	\$1,042,197	(\$0)	-0.0%

**Cumulative Receipts: March 11 - June 10, 2001 & Revisions to History**

Department of Revenue-Total	2,508,873	\$2,508,872	(\$1)	-0.0%
Revenue Act (3)	1,894,436	1,894,436	0	0.0%
Non-Revenue Act(4)	614,436	614,436	(0)	-0.0%
Liquor Sales/Liter	19,983	19,983	0	0.0%
Cigarette	16,226	16,226	0	0.0%
Property (State School Levy)	401,793	401,793	0	0.0%
Estate	37,606	37,606	(0)	-0.0%
Real Estate Excise	97,623	97,623	(0)	-0.0%
Timber (state share)	3,282	3,282	(0)	NA
Other	37,923	37,922	(1)	-0.0%
Department of Licensing (4)	7,383	7,396	13	0.2%
Lottery (4)	21,466	21,466	(0)	-0.0%
<b>Total General Fund-State***</b>	<b>2,537,721</b>	<b>\$2,537,733</b>	<b>\$12</b>	<b>0.0%</b>

P-Preliminary. Reported in the June 10, 2001 collection report.

R Revised data.

1 Collections May 11 - June 10, 2001. Collections primarily reflect April 2001 business activity of monthly taxpayers.

2 May 1-31, 2001 collections.

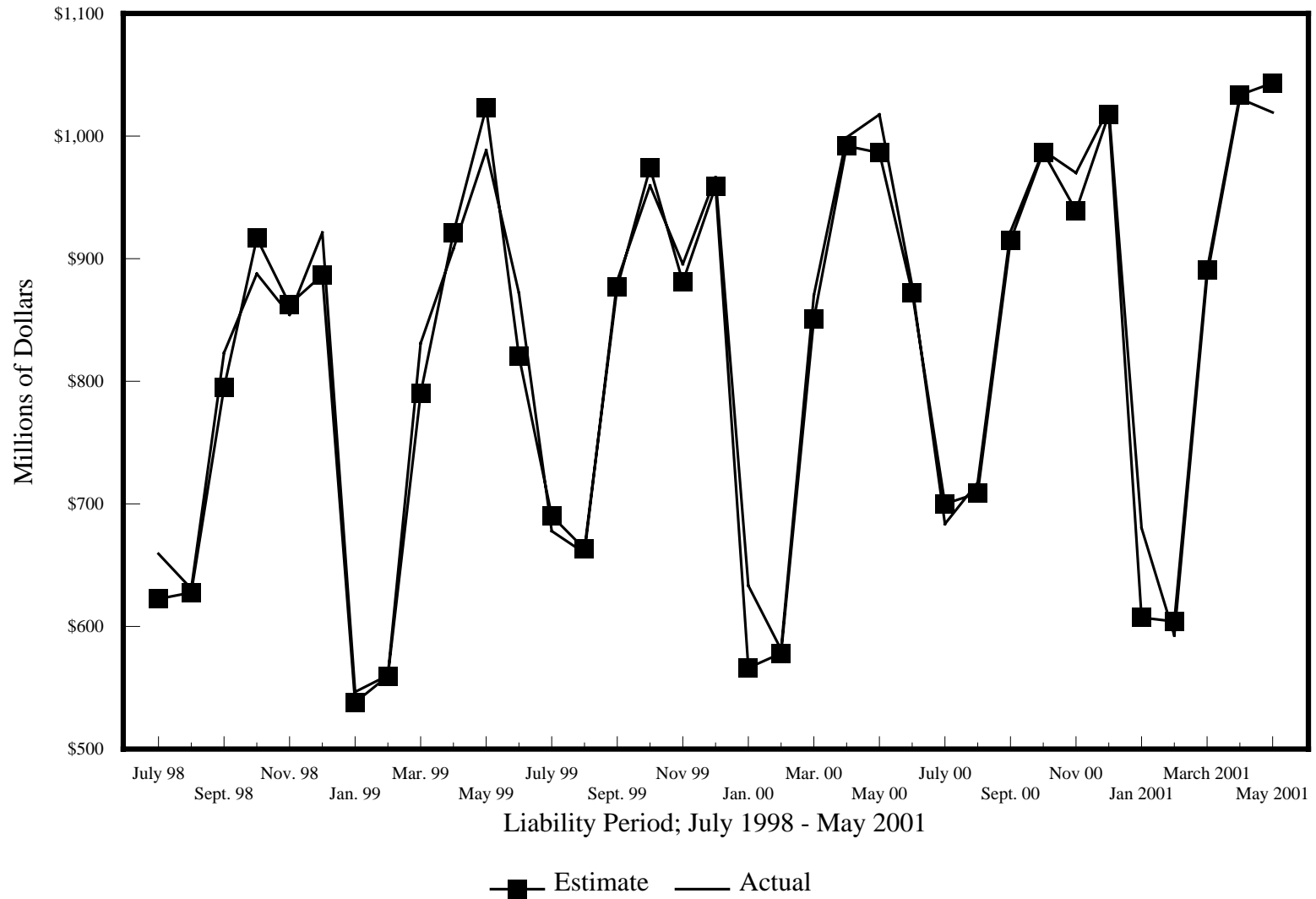
3 Cumulative variance for since the March 2001 forecast: March 11 - June 10, 2001 & revisions to history.

4 Cumulative variance: since the March 2001 forecast (March - May 2001 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

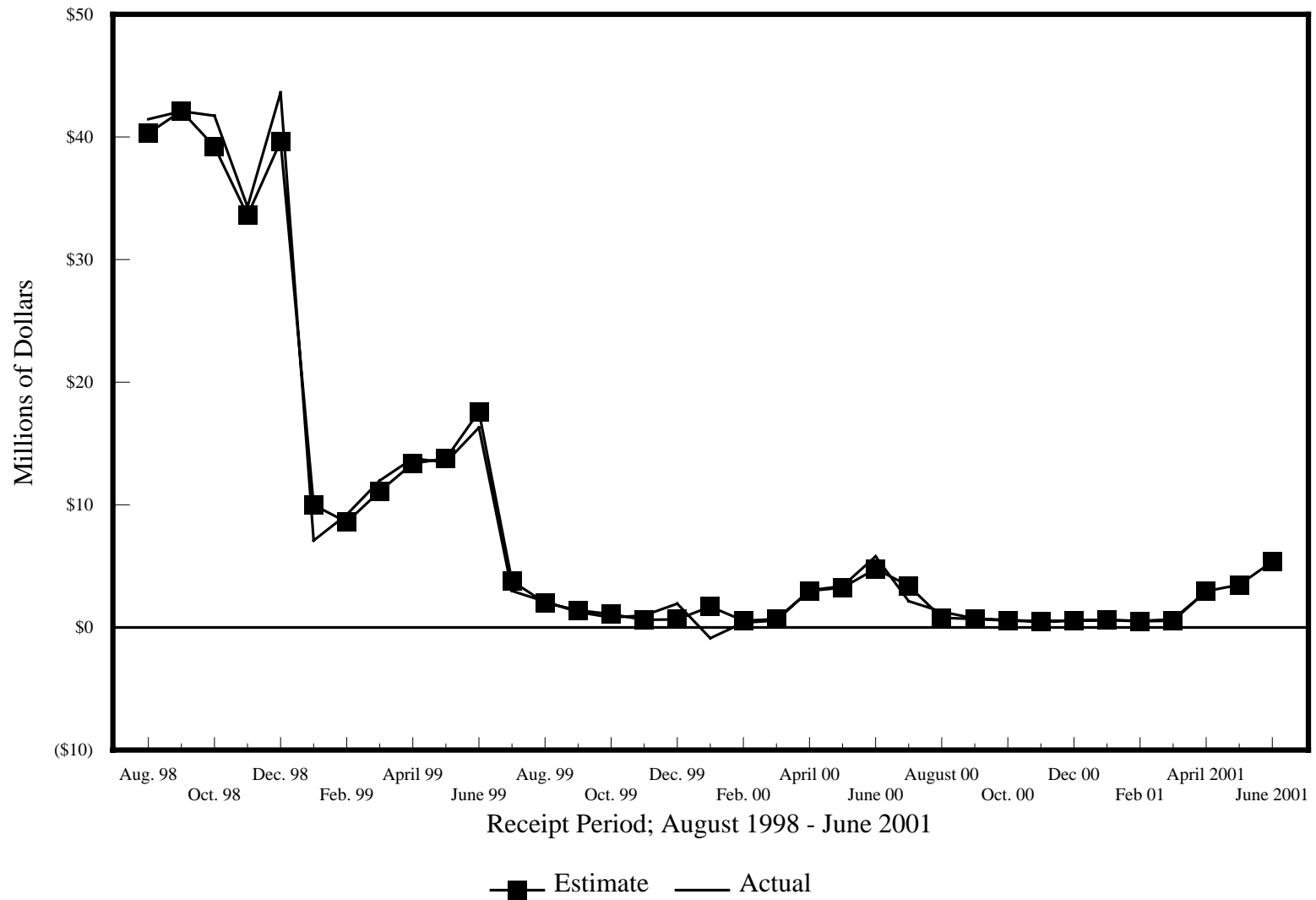
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to May 2001



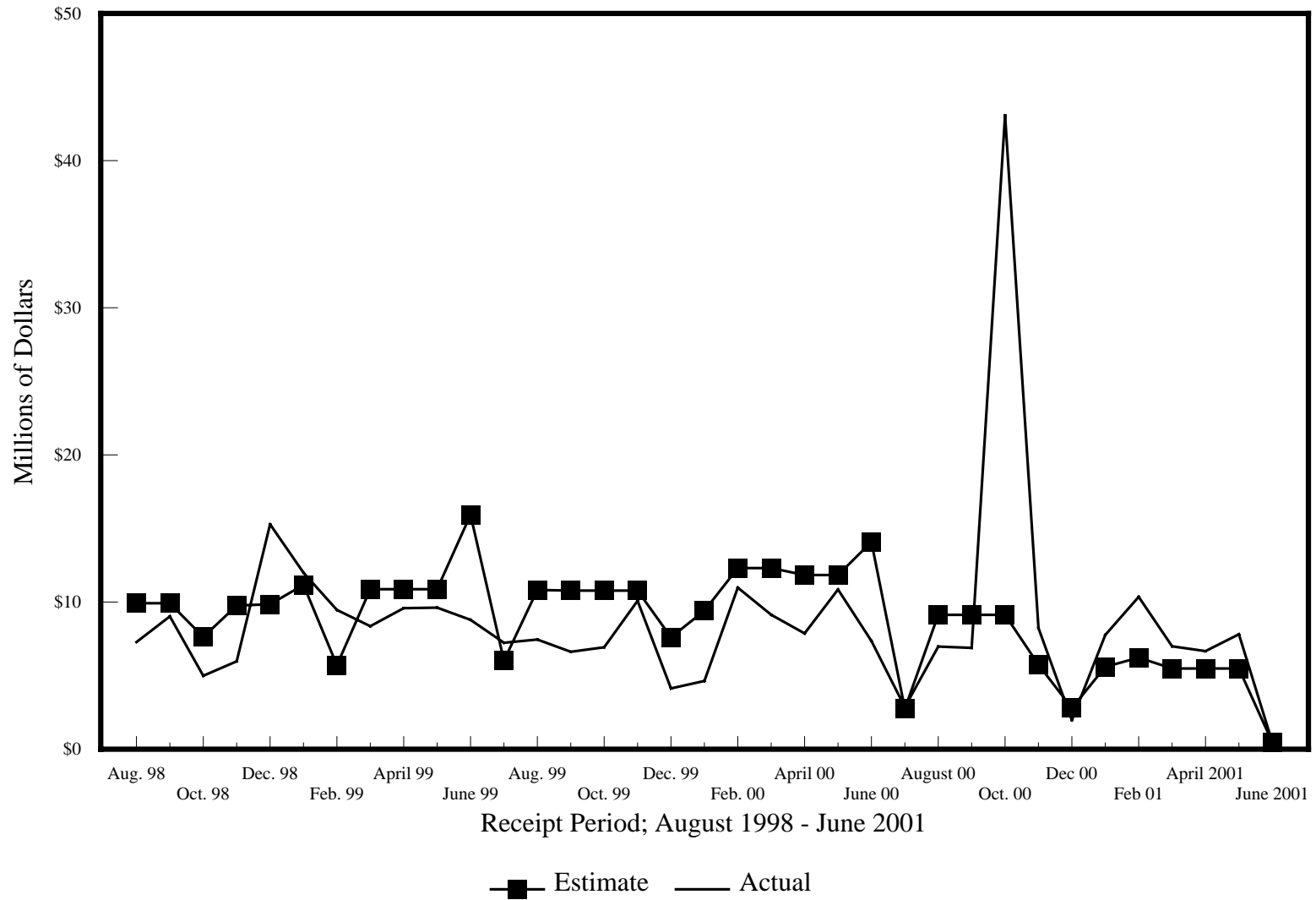
# Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to June 2001



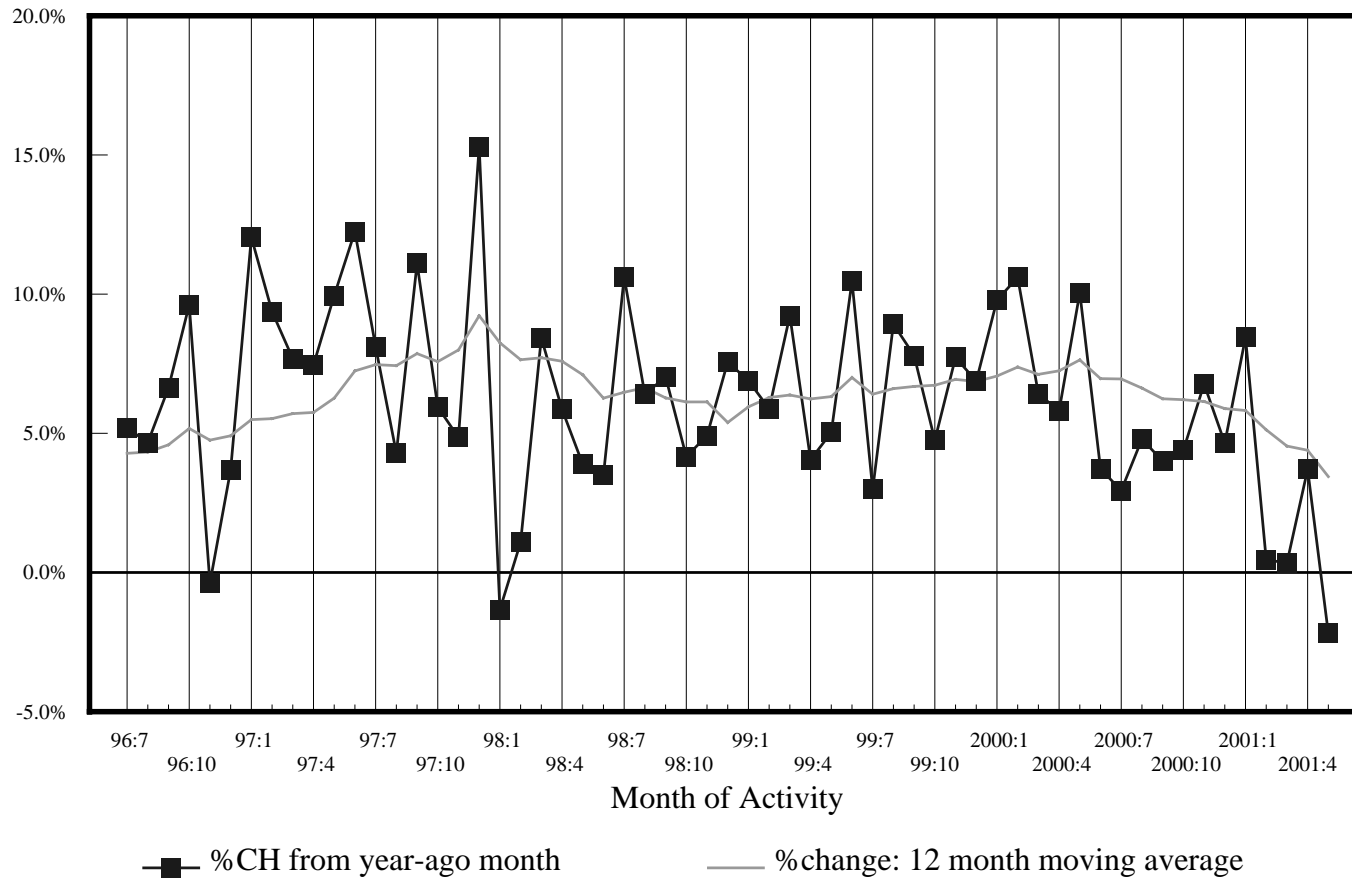
# Lottery Transfers to the General Fund, Actual vs. Estimate

August 98 to June 2001



# Revenue Act Net Collections\*

Year-over-Year Percent Change



\*Adjusted for legislation, large refunds & audits, etc.